



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
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June 20, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink that reads "Wendy L. Watanabe".

SUBJECT: **MANAGED CAREER SOLUTIONS, INC. – NORTHEAST SAN GABRIEL VALLEY – A COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEAR 2011-12**

We completed a review of Managed Career Solutions, Inc. – Northeast San Gabriel Valley (MCS – Northeast or Agency), a Community and Senior Services' (CSS) Workforce Investment Act (WIA) Program provider. Our review covered a sample of transactions from Fiscal Year (FY) 2011-12. The purpose of our review was to determine whether MCS – Northeast provided services in compliance with their County contract and WIA requirements.

The WIA Adult, WIA Dislocated Worker (DW), and the National Emergency Grant (NEG) Programs assist individuals in obtaining employment, retaining their jobs, and increasing their earnings.

CSS paid MCS – Northeast approximately \$513,642 (\$128,348 for Adult, \$261,174 for DW, and \$124,120 for NEG) on a cost-reimbursement basis for FY 2011-12. MCS – Northeast serves participants residing in the Fifth Supervisorial District.

Results of Review

MCS – Northeast provided services to eligible participants, deposited cash receipts timely, and recorded revenue properly. However, the Agency billed CSS \$7,318

(\$6,979 + \$339) in questioned costs, and did not always comply with WIA and County contract requirements. Specifically, MCS – Northeast:

- Billed CSS \$6,979 (\$6,105 + \$294 + \$580) for expenditures that were not supported by the Agency's accounting records. We noted similar findings in our last two prior year monitoring reviews of the Agency.

MCS – Northeast's attached response indicates that they disagreed with our findings and recommendations and provided additional documentation to support the expenditures. However, the additional documentation MCS – Northeast provided did not support the expenditures charged to CSS. MCS – Northeast needs to repay the \$6,979, or provide documentation to support the costs.

- Billed CSS \$339 in unallowable meals provided to guest employers at a job fair.

After our review, MCS – Northeast repaid CSS \$339.

- Did not accurately report participants exit codes on the Job Training Automation (JTA) System, as required by WIA Directive LACOD-WIAD08-20 for two (13%) of the 15 participants reviewed. We noted a similar finding in our prior year monitoring review of the Agency.

MCS – Northeast's response indicates that they corrected the exit codes and will now ensure that the exit codes are correctly reflected in the JTA System.

- Did not develop and implement WIA policies and procedures regarding the prohibition against national origin discrimination as it affects persons with Limited English Proficiency, as required by WIA Directive LACOD-WIAD11-06.

MCS – Northeast's response indicates they are updating their flyers and handouts in several languages to comply with WIA Directive LACOD-WIAD11-06. MCS – Northeast also needs to ensure they develop and implement the required policies and procedures.

- Did not obtain background clearances for two (40%) of the five employees reviewed who were assigned to the WIA and NEG Programs.

MCS – Northeast's response indicates they are obtaining the background clearance for one employee and the other employee is no longer working for the Agency.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with MCS – Northeast and CSS. In their attached response, MCS – Northeast generally agreed with our findings and recommendations, except as noted above. CSS management indicated they will resolve the disputed findings in accordance with their Resolution Procedure Directive.

We thank MCS – Northeast management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Philip Starr, Psy.D., Executive Director, Managed Career Solutions, Inc.
Joseph R. Saldana, Chairperson, Managed Career Solutions, Inc.
Public Information Office
Audit Committee

**MANAGED CAREER SOLUTIONS, INC. – NORTHEAST SAN GABRIEL VALLEY
WORKFORCE INVESTMENT ACT PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2011-12**

ELIGIBILITY

Objective

Determine whether Managed Career Solutions, Inc. – Northeast San Gabriel Valley (MCS – Northeast or Agency) provided services to eligible individuals for the Workforce Investment Act (WIA) and National Emergency Grant (NEG) Programs.

Verification

We reviewed the case files for 15 (15%) of the 101 participants (5 WIA Adult, 5 WIA Dislocated Worker, and 5 NEG), who received services from July 2011 to May 2012 for documentation to confirm their eligibility for WIA and/or NEG services.

Results

MCS – Northeast had documentation to support the eligibility of all 15 participants reviewed.

Recommendation

None.

BILLED SERVICES

Objective

Determine whether the Agency provided services in accordance with the County contract and WIA guidelines.

Verification

We reviewed the case files for 15 (15%) of the 101 participants who received services from July 2011 to May 2012.

Results

MCS – Northeast provided the services in accordance with the County contract and WIA guidelines. However, MCS – Northeast did not accurately report two (13%) of the 15 participant's exit codes on the Job Training Automation (JTA) System, as required by WIA Directive LACOD-WIAD08-20. The State of California Employment Development

Department and the United States Department of Labor use the JTA System to track WIA participant activities. We noted a similar finding in our prior year monitoring review of the Agency.

Recommendation

1. MCS – Northeast management ensure staff update the Job Training Automation System to accurately reflect participant activities.

CASH/REVENUE**Objective**

Determine whether MCS – Northeast deposited cash receipts timely, and recorded revenue in the Agency's financial records properly.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's bank activity for February and March 2012.

Results

MCS – Northeast deposited cash receipts timely, and recorded revenue properly.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether expenditures charged to the WIA and NEG Programs were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed the Agency's financial records and documentation for 27 non-payroll expenditure transactions, billed by the Agency from September 2011 to March 2012, totaling \$34,376.

Results

MCS – Northeast billed CSS \$6,685 in unsupported costs. Specifically, MCS – Northeast's accounting records did not support \$6,105 in billed expenditures. In addition, MCS – Northeast billed \$580 in unsupported tuition costs.

We noted similar findings in our last two monitoring reviews of the Agency.

Recommendations**MCS – Northeast management:**

2. **Repay CSS \$6,685 (\$6,105 + \$580), or provide adequate documentation to support the expenditures.**
3. **Maintain adequate documentation to support Program expenditures.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with WIA and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested expenditures, payroll, and personnel transactions.

Results

MCS – Northeast generally maintained sufficient internal controls over its business operations and complied with other Program and administrative requirements. However, the Agency did not develop and implement policies and procedures as required by WIA Directive LACOD-WIAD11-06, regarding the prohibition against national origin discrimination as it affects persons with Limited English Proficiency.

Recommendation

4. **MCS – Northeast management develop and implement all required WIA policies and procedures.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were charged to the WIA and NEG Programs appropriately. In addition, determine whether MCS – Northeast obtained background clearances, verified employability, maintained proof of current driver's licenses, and maintained proof of automobile insurance for employees assigned to the WIA and NEG Programs.

Verification

We traced the WIA payroll expenditures for five employees, totaling \$10,444, for March 2012, to the Agency's payroll records and time reports. We also reviewed the personnel files for five Agency staff.

Results

MCS – Northeast appropriately charged the March 2012 employee salary costs to the WIA and NEG Programs. However, the Agency did not obtain background clearances for two (40%) of the five employees assigned to the WIA and NEG Programs, as required by the County contract.

Recommendation

5. MCS – Northeast management ensure the required background clearances are obtained.

COST ALLOCATION PLAN

Objective

Determine whether MCS – Northeast's Cost Allocation Plan (Plan) was prepared in compliance with the County contract, and used to allocate shared program expenditures appropriately.

Verification

We reviewed MCS – Northeast's Plan, and a sample of expenditures from December 2011 to March 2012, to ensure that the expenditures were allocated to the Agency's WIA Programs appropriately.

Results

MCS – Northeast prepared its Plan in compliance with the County contract and the Agency allocated their shared costs to the WIA and NEG Programs appropriately.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2010-11 final close-out invoices for the WIA Program reconciled to the Agency's accounting records. MCS – Northeast did not have the NEG Program during FY 2010-11.

Verification

We traced MCS – Northeast's final close-out invoices for FY 2010-11 to the Agency's accounting records. We also reviewed a sample of expenditures billed in June 2011, totaling \$682.

Results

MSC – Northeast billed CSS \$633 in questioned costs. Specifically:

- MCS – Northeast billed \$339 in unallowable meals for employers at a job fair, hosted by the Agency. The County contract does not allow the Agency to reimburse employers for meals.
- MCS – Northeast billed \$294 in unsupported expenditures. For example, the Agency's FY 2010-11 accounting records did not reconcile to the Agency's final close-out invoices. We noted a similar finding in our last two monitoring reviews of the Agency.

After our review, the Agency repaid CSS \$339 for the unallowable meals.

Recommendation

Refer to Recommendation 3.

6. MCS – Northeast management repay CSS \$294, or provide adequate documentation to support the expenditures.



Philip Starr, Psy.D., C.R.C., A.B.V.E.
Esteban Magallanes, Psy.D., C.R.C., C.D.M.S.

March 14, 2013

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller

RE: Managed Career Solutions- Northeast San Gabriel Valley-A Community And Senior Services Workforce Investment Act Program Contract Service Provider-Contract Compliance Review-Fiscal Year 2011-12

This is submit our response to the recommendation for the findings noted on the contract compliance review of the WIA contracts of Northeast San Gabriel Valley WorkSource for the fiscal year 2011-12.

Finding Did not accurately report 2 participant's exit codes on the JTA system.

Recommendation

1. **MCS to ensure staff to update the JTA System to accurately reflect participant activities.**

Response We subsequently corrected the exit codes on the JTA system and submitted a JTA printout report to CSS. MCS Northeast assigned Program Director shall review participant files to assure participant activity codes are correctly reflected on the JTA system.

Finding Billed CSS \$8,135 in unsupported or unallowable costs.

Recommendation

2. **Repay CSS \$6,685 (\$6,105+\$580) or provide adequate documentation to support the expenditures.**
3. **Maintain adequate documentation to support program expenditures, request reimbursement for necessary and reasonable Program Expenditures, and ensure that expenditures do not exceed budgeted amounts.**

Response

- Comparison of the amount billed with the actual expenditure per General Ledger as of June 30, 2012 disclosed no overbilling and shows stand in costs of \$11,446.81 for Adult program and \$25,075.41 for Dislocated Worker Program. We will provide to CSS copy of the Account Summary Report per program and the Detailed GL Transactions List generated from MCS accounting software Peachtree.
As explained during the exit conference, discrepancy noted on the audit cutoff (March 30, 2012) are corrected in the subsequent billing invoice.
- Noted during the audit, training documents for client Fernando Robles showing 128 hours of attendance and compared to the 160 hours requirement of classroom instruction. As explained during the exit conference, as required by the SBWIB ITRAIN agreements, costs of training must be paid in full, if client attended more than 80% of the required training hours. Attached is the copy of Certificate of Completion issued by training school Camino Real to Fernando Robles for the Bus Driver training. Moreover,

please note that client Fernando Robles passed and was issued by the DMV Class B (Passenger Bus) license and was successfully placed as a Passenger Bus Driver.

Finding Did not develop WIA policies and procedures regarding the prohibition against national origin discrimination as it affects person with Limited English Proficiency (LED) as required by WIA Directive.

Recommendation

4. Develop and implement all required WIA policies and procedures

Response

- As discussed during the exit conference MCS is now updating all flyers and handout to the customers in several languages to comply with the WIA Directive LACOD-WIAD11-06.

Finding Did not obtain background clearances for two of the five new employees assigned to WIA and NEG Program.

Recommendation

5. MCS ensure background clearance are obtained as required.

Response

- MCS have on file copy of the application for background checking issued by the Live Scan Provider for employee Richard Galope. To date we have not received result from DOJ. However we request for another live scan for Mr. Galope. We will submit the DOJ report as soon as completed. For employee Dan Nguyen, who was employed at MCS for 4 month (from Feb. 1, 2012 to June 4, 2012), we were not able to obtain background clearance.
- MCS now requiring all new hire employees to obtain background checking to comply with the requirement.

CLOSE-OUT REVIEW

Finding Billed CSS \$633 in question costs (\$339 in unallowable meals for employer, \$294 Other support services)

Recommendation

6. Repay CSS \$294 or provide adequate documentation to support expenditures

Response

- Comparison of the amount per GL with the amount billed for the line item in question disclosed no discrepancies. MCS will provide CSS copy of the GL transaction Listing of the line item in question and copy of the final DER to compare actual expenditure and amount billed.

Should you need additional information, please call my staff Tito Maturan at 213.355.5307.


Philip Starr
Executive Director